

2007 MICHIGAN 1041

Fiduciary Income Tax Return

Forms and Instructions

Filing Due Date: April 15, 2008

(or the 15th day of the fourth month after the close of your tax year)

Jennifer M. Granholm, Governor

Robert J. Kleine, State Treasurer



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Where to Get Help

Visit the Michigan Department of Treasury's Web site at **www.michigan.gov/taxes** or call toll-free **1-800-827-4000**.

Where to Get Forms



Internet: Most commonly used, current year forms are available at **www.michigan.gov/incometax**.



Telephone: Call 1-800-827-4000 to have current year forms mailed to you.

TTY: Persons who have hearing or speech impairments may call (517) 636-4999. Printed material in an alternate format may be obtained by calling 1-800-827-4000, press options 1, 4, and 223.

Fiduciary returns cannot be filed electronically.

GENERAL INFORMATION

Who Must File

You must file a *Michigan Fiduciary Income Tax Return* (Form MI-1041) and pay the tax due if you are the fiduciary for an estate or trust that was required to file a U.S. 1041 or 990-T or that had income taxable to Michigan that was not taxable on the U.S. 1041. If no tax is due, you must file an informational MI-1041. The only exceptions are:

1. Tax-exempt trusts do not need to file Form MI-1041 unless the trust has unrelated business income (UBI) attributable to Michigan.

Note: Estates or trusts with a charitable purpose or charitable beneficiaries should contact the Department of Attorney General, Charitable Trust Section, regarding the filing requirements.

2. Common trust funds. The trustee must notify the beneficiaries of their portion of Michigan income from the fund and of the gains and losses available to each under Section 271 of the Michigan Income Tax Act.

3. A nonresident estate or trust that has income from Michigan sources less than the federal exemption deduction. The deductions are \$600 for estates, \$300 for trusts currently distributing income and \$100 for all other trusts. See Schedule 4, Income Allocation, on page 15.

4. A grantor trust. When the grantor is a trustee and is treated as the owner of the trust's assets (Internal Revenue Code (IRC) sections 671 - 678), Form MI-1041 is not required. Report the trust's income, deductions and credits on the grantor's *Michigan Individual Income Tax Return* (Form MI-1040).

5. Michigan cannot impose an income tax on income accumulated by a trust that became irrevocable by the death of the settlor (while a Michigan resident) when **all** of the following conditions are met:

- The trustee is not a Michigan resident
- The assets of the trust are neither held, located nor administered in Michigan
- The beneficiaries are all nonresidents.

When to File

Fiduciary returns are due on or before April 15, 2008, or on the 15th day of the fourth month after the close of your tax year.

Where to Mail Your Return

Mail returns without payments to:

**Michigan Department of Treasury
P.O. Box 30058
Lansing, MI 48909**

Mail returns with payments to:

**Michigan Department of Treasury
Department 781041
P.O. Box 78000
Detroit, MI 48278-1041**

To ensure accurate processing of your return, send **one check for each return**. Make all checks payable to the "State of Michigan." Write the estate's or trust's federal identification number and "2007 MI-1041" on the front of the check.

Important: Fiduciary returns cannot be e-filed.

Penalty and Interest

If the fiduciary payment is late, Treasury will add a penalty of five percent of the tax due. After the second month, penalty will increase by an additional five percent per month, or fraction thereof, up to a maximum of 25 percent of the tax due. If the fiduciary return is paid late, add penalty and interest to the amount due. The interest rate through June 30, 2008, is 9.2 percent. For interest rates after June 30, 2008, visit Treasury's Web site at www.michigan.gov/taxes or call 1-800-827-4000.

Rounding Off

Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents.

Capital Gains/Losses

Adjustment of Capital Gains and Losses (Form MI-1041D) must be used for the following:

- Capital gains election under Section 271 for property acquired before October 1, 1967,
- Sale or exchange of U.S. obligations which cannot be taxed by Michigan, or
- Sale or exchange of property subject to allocation or apportionment provisions.

Form MI-1041, Schedule 5, lines 78 and 79, must be completed if a capital gain/loss is distributed to beneficiaries and Form MI-1041D is filed.

Tax Credits an Estate or Trust Can Claim

An estate or trust may be able to claim credits for each of the following:

- City Income Tax Credit
- Public Contribution Credit
- Vehicle Donation Credit
- Community Foundations Credit
- Homeless/Food Bank Credit
- Credit for Income Taxes Imposed by Government Units Outside Michigan
- Michigan Historic Preservation Tax Credit

Instructions for credits begin on page 4. A nonrefundable credit is available to owners or long-term lessees of qualified historic resources who undertake rehabilitation projects. To be eligible for the credit, the rehabilitation project must be certified by the State Historic Preservation Office of the Michigan Historical Center and an *Historic Preservation Tax Credit Claim* (Form 3581) must be filed. For information regarding certification, visit the Web site www.michigan.gov/hal. Form 3581 is available from the resources listed on the cover.

Resident and Nonresident Estates or Trusts

If a decedent was domiciled in Michigan at the time of death, the estate is a **resident estate**.

If a decedent was not domiciled in Michigan at the time of death, the estate is a **nonresident estate**. A trust created by the decedent's will is a **nonresident trust**.

If a trust was created by a grantor domiciled in Michigan at the time the trust becomes irrevocable, the trust is a **resident trust**. If the grantor was not domiciled in Michigan at the time the trust became irrevocable, the trust is a **nonresident trust**.

Amending

To amend Form MI-1041, check the box at the top of Form MI-1041 and explain the reason for amending on page 3. Attach a copy of the amended U.S. 1041 with all supporting schedules.

U.S. 1041 changes. Treasury must be notified of any changes to the estate's or trust's U.S. 1041 if the items changed affect the Michigan liability. File an amended return within 120 days of the change and include payment of the tax due. If too much tax was paid, file an amended return to request a refund.

